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## Foxconn: Not Entirely an Ocean Away

Shana Fee

**Keywords:** *Foxconn, China, Apple, Inc., social responsibility, human resource frame, ethics, organizational culture*

### Author Interview

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**Which professors (if any) have helped you in your research or creative activity?**

Dr. Kathie Pelletier has helped me in my research.

**What are your research or creative interests?**

My research interests are toxic leadership, corporate social responsibility, business ethics, counterfeiting in the supply chain and socially responsible industrial engineering.

**What are your plans after earning your degree?**

**What is your ultimate career goal?**

I plan to a rotational program at a pharmaceutical company and hopefully get involved in its supply chain functions. Ultimately, I want to become an operations manager at a medical device company like Medtronic, Abbott, or Roche.

## Overview: Corporate Social Responsibility, Here and Abroad

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Foxconn, a division of Taiwanese electronics giant Hon Hai Precision, has recently come under scrutiny both in the United States and in China for a string of suicides by factory workers in its numerous plants throughout mainland China. Apple, Inc. is one of the many American electronics companies that contracts with Foxconn for manufacturing due to the comparatively cheap labor overseas. For the following analysis, one might consider the concept of corporate social responsibility and how it pertains to corporations whom operate on two sides of the globe. Preuss (2013, p. 579) defines corporate social responsibility, or CSR, as “a philosophy – and a corresponding set of tools – according to which a company acknowledges and manages responsibilities to a wider group of stakeholders than just the providers of capital.” In light of the recent suicides at Foxconn, Apple has tried to distance itself from the scandals. But are Apple and Foxconn truly a world apart?

### Primary Problematic Organizational Factors

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Terry Gou, CEO of Hon Hai Precision and founder of Foxconn, has defended the conditions for workers in Foxconn plants in Longhua and Shenzhen by arguing that the increasing number of suicides can be explained by the increase in China’s GDP (Chang, 2010). However, external forces such as Chinese regulations are not the only factor contributing to these problems; internal factors on all levels within the factories have become the subject of scrutiny in recent years as the very structures and policies that govern the company have come into light. Foxconn operates under a strong vertical coordination structure, which emphasizes rules, control systems, and authority. The company conducts itself much like a machine bureaucracy with large operating core and, though few in number, dictatorial management and leaders in the strategic apex. Furthermore, one could argue that Foxconn functions under Theory X assumptions that treat workers as lazy, incompetent, and necessitating leadership. At Foxconn, the workers themselves are, in every sense of the phrase, interchangeable parts of the machine.

## Why is This Relevant?

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As Mueller (2011, p. 334) argues, “multinational corporations are ultimately responsible for insuring humane working conditions in their foreign manufacturing operations.” Apple’s relationship with Foxconn is rife with controversy and should be the subject of some serious reframing so as to analyze those problems with multiple lenses. Similarly, Low, Ang, and Ang (2013, p. 568) argue that “a business which subcontracts to another business also passes on its social responsibility to others and would undoubtedly be held responsible for their suppliers’ irresponsible actions.” For both domestic operations and foreign operations, there should be no double standard in worker treatment merely because the two groups are an ocean apart.

### The Human Resources Frame and the Deprivation of Life Itself

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Bolman and Deal (2008, p. 117) note that “the human resource frame centers on what organizations and people do to and for one another.” This frame relies on assumptions pertaining to “fit” between human needs and organizational requirements. However, if one were to view Foxconn through this lens, he or she would discover that the organization’s assumptions rely less – if at all – on the “fit” and more on the organization’s requirements. As demands for Apple products skyrocket with each new version or update, workers in Foxconn factories are subjected to pressure and harsh treatment at the hands of management. Xu and Li (2012, p. 5) note that this “management system directly causes worker alienation, resulting in workers’ collective trauma, and making workers’ suicide a choice of using life as an expression of silent resistance.” In much similar fashion, Argyris suggested that workers adapt to these types of frustration through many different means, including resistance (Bolman & Deal, 2008, p. 128-131).

### Cogs in a Machine

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An investigation undertaken by the U.S.-based Free Labor Association, or FLA (2012, p. 8-12), found several troubling factors: workers’

average hours per week exceeded the organization's recommended 60 hours per week; exceedingly low wages; violations of government regulations that interns could not work night shifts or overtime; and lapses in communication leading to unsafe working conditions. Employees also face lack of trust from leadership. There is a "strict ban on communication on the shop floor" (Chang, 2010), and workers there are surrounded by security guards, face policies regulating their behavior, and are subjected to body searches and physical abuse (Pun & Chan, 2010, p. 25-26). This militaristic control over employee lives is a product of what Chang (2010) refers to as "social detachment, alienation and despair that are the result of an efficient – but ultimately unsustainable – system." There is a pressing need to reframe how the organization views human capital. For illustrative purposes, let us consider that Foxconn has considered moving further inland to China's Henan Province so as to reduce the rising costs of labor in the local governments and workers in Shenzhen (Barboza, 2010). Employees are painted as disposable and interchangeable parts; Foxconn will go where these "raw materials" are cheapest.

### **Theories and Methods to Improve Employee Occupational Well-Being**

Foxconn operates under Taylor's "scientific management" principle, which seeks to maximize efficiency but in doing so makes workers feel dehumanized (Pelletier, 2013a). According to Pun and Chan (2012, p. 405), "on the factory floor, work stress associated with the 'scientific' production mode and inhumane management is intense." Maslow's hierarchy of needs shows that physiological (survival) needs are at the base of the pyramid, meaning that those needs should be satisfied first before workers can be motivated by higher needs (Bolman & Deal, 2008, p. 124). During its investigation, the FLA (2012, p. 9) found that 64.3% of workers across three factory locations said their pay was insufficient to sustain their basic necessities. In light of the human resource frame, Foxconn needs to create better working conditions, safer and cleaner worker dormitories, and higher pay systems. The FLA (2012, p. 9) also found a negative correlation between hours spent at work

and factory loyalty or contentment. To improve the occupational well-being of its employees, Foxconn could reduce working hours, provide breaks, and appropriately compensate for voluntary – or, in some reported cases, involuntary – overtime. But even that is not sufficient; Herzberg's theory about the dichotomy between hygiene factors and motivator factors argues that workers need to feel that their work is meaningful and that they can learn, be recognized, and achieve (Bolman & Deal, 2008, p. 153). Fulfilling work and clean and safe working conditions would subtract from the monotony and make workers feel as though they are more than cogs in a machine.

### **"A Culture of Secrecy"**

The symbolic frame seeks to define organizational culture beyond paychecks, emphasizing factors that contribute to a meaningful work experience. Bolman and Deal's definition reads: "a distinctive pattern of beliefs, values, practices, and artifacts, developed over time, which defines for organizational members who they are and how they do things" (Pelletier, 2013d). According to Barboza and Duhigg (2012), a former executive of Apple's supplier responsibility group said that "there's a real culture of secrecy here [at Foxconn] that influences everything." But the company also uses theater. It puts on displays of organizational theater for audiences both internal and external: internal theater reinforces culture, while external theater is designed to showcase to external constituents and critics that the company is conducting business in a lawful and responsible manner (Pelletier, 2013b). However, the FLA's investigation of Foxconn was preplanned (Lucas, Kang, & Zhou, 2012), so Foxconn prepared ahead of time, with management as actors and workers and conditions as props to illustrate a colorful, lively backdrop. Furthermore, "key Foxconn representatives were repeatedly quoted to perpetuate the non-sweatshop frame" (Guo, Hsu, Holton, & Jeong, 2012, p. 497). They crafted stories for the media that the company was dealing with a psychologically unstable generation rather than an issue with sweatshop labor and the working conditions thereof. Does the fact that the FLA still found negative issues mean that the theater was not convincing, or is there a deeper

meaning to this organizational culture that must be dressed up in theatrics?

### Corporate Propaganda as Values and Symbols

Foxconn's external theater may try to portray the company as well-meaning and lawful, but its internal theater is different. Barboza and Duhigg (2012) describe "banners on the walls [which] warned the 120,000 employees: 'Work hard on the job today or work hard to find a job tomorrow.'" Pun and Chan (2012, p. 399) state that "the corporate propaganda team has created a dream of riches through labor and has tried to persuade workers that success and growth are only possible through working diligently." But whose dream is it? The sense of self that Foxconn pastes all over the walls with banners and posters is unrealistic, and employees can see through them. As one worker said, "workers come second to and are worn out by the machines" (Pun & Chan, 2012, p. 401). Lucas, Kang, and Zhou (2012, p. 8) argue that "not only are workers positioned as machines, but also as cheaper (read: less valuable) than machines." In this regard, perhaps machines in the factory are the symbols of productivity and efficiency that Foxconn is looking for; the employees are merely cogs in those machines.

### Leadership Response and Meaning

According to Chang (2010), soon after the first few suicides, Foxconn managers "set up a suicide-prevention hotline and installed nets to catch jumpers and fences to stop attempts," "asked – in reality, forced – workers to sign pledges that they would not take their own lives," and absolved themselves of "any liability to pay compensation above that required by law." We can determine what the leaders value by what they pay attention to (Pelletier, 2013d) – in this case, saving human capital from itself and ensuring that it will not cost more than its collective wages. Such practices embed this militaristic, toxic culture and cause workers to internalize issues: "employees are made vulnerable to the subjective effects of undignified workplace interactions precisely because of the objective and material constraints of the organizational structure in which they are embedded" (Lucas, Kang, & Zhou, 2012, p. 3). After several more suicide cases, Foxconn

company organizers arranged a rally to boost morale, where 20,000 employees recited slogans and "dressed in company-provided, pink-color t-shirts with big red words 'I love Foxconn'" (Pun & Chan, 2010, p. 32). Such images dredge up ideas of institutional theory, in which "the creation of a rational plan constitutes a dramaturgical alternative to actual changes" (Bolman & Deal, 2008, p. 296). The rally was a blend of dramaturgy for both internal and external audiences, designed to cause both of which to redirect their attention to a theatrical foreground of company integrity while hiding the "secrecy" backstage.

### Politics and Power: Two Sides of the Same Coin

Bolman and Deal (2008, p. 226-227) note that, when bargaining in organizational politics, one needs to consider four ethical criteria: mutuality, generality, openness, and caring. Foxconn does not operate according to the bargaining and negotiation processes by which managers can operate as politicians. Rather, it seems to operate as some sort of antithesis of all four of these ethical criteria. It has a more totalitarian structure that imposes overly strict rules, thus ignoring mutuality between parties. It strives to create a disparity between espoused theory and theory in use, therefore bypassing any sort of pervasive moral conduct principle. It causes Apple to attempt to distance itself from the scandal for which it shares responsibility and avoid making its decisions public. It completely lacks care for workers' conditions beyond ensuring that they can operate on the production line without keeling over. One might envision Foxconn as Model I Theory in use, in which management places blame on victims, suppresses employee resistance, and delegates responsibility to subordinates when a process fails (Bolman & Deal, p. 170-171).

### Politics, Power, and Conflict Manifestation

Leaders at Foxconn go against Follett's argument that "the best leader knows how to make his followers actually feel power themselves, not merely acknowledge his power" (Pelletier, 2013e). Employees are regularly punished or demeaned, "types of humiliations [that] are particularly

harmful to employees' sense of self-worth as they are deeply personal and highly internalized" (Lucas, Kang, & Zhou, 2012, p. 9). Employees internalize that fear of power, fear of retaliation, and fear of dehumanization and surrender to positional "legitimate" power manifestations in order to retain some small amount of their own humanity.

### Forces Shaping Managerial Ethics at Foxconn

How does one answer the following question: "Is a decision or behavior ethical and socially responsible?" Four main forces shape managerial ethics: organizational culture, external stakeholders, personal ethics, and organizational systems (Pelletier, 2013c). By examining the strength and prevalence level of each of these forces, we might shed light upon Foxconn's ethical scandals, issues, and dilemmas.

#### Personal Ethics

It is fairly easy for Apple to espouse its commitment to CSR. Since it is seated on American soil, far removed from the turmoil within the factory walls of Foxconn, it might claim it can do its part without fully scrutinizing every small detail of Foxconn's operations. Pun and Chan (2010, p. 30), however, expose the reality behind the CSR rhetoric: "contractor factories are provided with no financial support for CSR policies required by the brands; instead they face slashed profit margins and additional costs that can be made up only by further squeezing their own labor force." This is an ethical framework that does not properly transition from Apple to Foxconn. When operations become solely about money, contractors like Foxconn can use any vagueness present in CSR policies to justify every action. Managers become corrupt and harsh. Supervisors distrust employees and punish them. Since counterbalancing costs with changes to capital is the ultimate goal, personal ethics align themselves with the policies of the factory as an institution – the benefit of the company is the benefit of the manager. Such corruption and hypocrisy in management take heavy emotional tolls on employees (Pelletier, 2013c).

### Organizational Systems

Foxconn's factories operate like what Mintzberg called a machine bureaucracy, in which the top-level management in the strategic apex make decisions and the large operating core conduct everyday operations (Bolman & Deal, p. 80-81). The vertical coordination structure of the company creates a gap between management and workers that reinforces the former's belief of inherent superiority. Pun and Chan (2010, p. 25-26) describe Foxconn's structure using words like "militaristic," "empire," and "supra-governmental control." Additionally, in their investigation report, the FLA (2012, p. 11) assessors "identified numerous issues related to inconsistent policies, procedures and practices." Although Bolman and Deal (2008, p. 33) acknowledge that one of the characteristics of organizations is that they are ambiguous, but they also concede that, as is the case with Foxconn, sometimes "ambiguity is intentionally manufactured as a smoke screen to conceal problems." Such inconsistency and ambiguity allows management to both keep workers in the dark so they do not get organized and also boost its own power over operations and capital, human or otherwise.

### Organizational Culture

Leadership at Foxconn operates with a "hard" Theory X model, which "emphasizes coercion, tight controls, threats, and punishments" (Bolman & Deal, 2008, p. 125-126). Employees bear the brunt of restrictions and lack of leadership trust, knowing that there are few means of resistance. CEO Terry Gou has been cited as saying "Growth, thy name is suffering" (Pun & Chan, 2012, p. 396). Workers are reminded of that every day when they see the banners and posters all over the factory walls, or when they see a fellow worker get beaten "without serious cause" (Pun & Chan, 2010, p. 26). These factors all combine to create a culture of fear, uncertainty, and secrecy, all controlled by leaders who run their factories according to a skewed ethical framework that emphasizes diligent work over meaningful life.



## External Stakeholders

Perhaps the most prominent external stakeholder would be Apple's customers themselves, whom create high demand for Apple products and vicariously create the fast-paced, unsafe, and pressurized environment in which Foxconn factory employees work. However, one might also consider how the larger scale public interweaves into the picture, reinforcing the type of behavior exhibited by Foxconn leadership. A study by Guo, Hsu, Holton, and Jeong (2012, p. 499) revealed through a survey of media coverage of Foxconn suicides that while 17.4% of U.S. newspapers called the suicide cases individual problems, none of them suggested remedies as far as measures Foxconn could take to address employee mental health issues. Similarly, 27.5% of Chinese newspapers drew attention to individual workers' problems leading to suicides, but only 17.4% of those newspapers made suggestions for remedies (Guo, Hsu, Holton, & Jeong, 2012, p. 499). Government regulations in China also restrict migrant workers in Foxconn's factories; as they are subject to the *Hukuo* housing system, which dictates where they may find work and homes in cities in which they are not registered, migrant workers become bound to Foxconn for home, job, and sustenance, effectively becoming the child as which the company treats them. As Lucas, Kang, and Zhou (2012, p. 12) argue, "the state-system of *Hukuo* works in tandem with wider cultural norms and the total institution of Foxconn to institutionalize a system of indignity from which there is virtually no escape."

## Conclusion

The stories of suicides at Foxconn have raised questions, criticisms, and blame from both sides of the world – from here in the U.S. and from China. Managing the various lenses through which we can examine Foxconn's operations can be a trying task, especially when the assumptions of some frames simply do not exist in Foxconn's organizational lexicon. However, to incorporate the human resource frame into a self-analysis regimen, perhaps rather than blame individual victims for their psychological traumas and suicide attempts, Foxconn could have invited its

critics to "help identify problems with the management consulting team the company hired" (Xu & Li, 2012). The company should also address its diametrically-opposed theatrics, in which it displays to the world one vision of its operations while concealing backstage its secrets and toxic leadership. It should be honest with itself and the rest of the world, and employ well-defined CSR measures to improve morale and working conditions. As Low, Ang, and Ang (2013, p. 567) argue, despite leadership assumptions that customers would be dissatisfied when CSR measures' costs are passed along to them, an "improved social environment...will be beneficial to the firm." The company could also better manage its organizational politics through negotiation and collective bargaining with the existing Foxconn union. The FLA (2012, p. 11) found that "the Foxconn union does publish booklets explaining its role and activities, but...survey data show that these have not raised workers' awareness or participation rates." Union operations and involvement could provide workers with a sense of empowerment such that they could have a say as far as their working hours, conditions, and pay. Additionally, Apple itself could step in and engage in politics to ensure better communication and negotiate with its subcontractors. Apple, as well as other companies engaged in subcontracting agreements, needs to reframe how they operate in a global economy. Perhaps then they will recognize that they are not always an ocean away from one another.

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